File Torrance

# MEMORANDUM

**TO:** **THOMAS J. MOTHERWAY** - GUEST RITZ CARLTON Clayton, MO
FROM: S.J. Barker (714) 542-9578, T.A. Overturf (801) 363-6781 x 2155
RE: Torrance - Authority to proceed with Retail development opportunity/Master Plan

1. Narrow window of opportunity created by Lockheed-Martin's aggressive developer and design selection process for adjacent 67 acres. Lockheed-Martin will select developer/buyer by December 15, 1995.

2. Major power center retail developers have responded to Lockheed-Martin and confirmed that the site can support a minimum of 350,000 to 550,000 square feet of retail in first phase provided at least one major retail anchor is signed.

3. All developers confirm that Wal-Mart has a strong interest in the site assuming a 1997 site delivery with opening possible no later than 1998. All other destination anchors are already open in the trade area and have no interest in the site.

4. If MDC site is not made available for retail , Lockheed-Martin site will be developed with Wal-Mart in an undesirable orientation to MDC land (we face their backside) with resulting diminution of MDC land value.

5. The Lockheed-Martin and MDC sites are considered essentially equal and interchangeable to both developers and retailers with offsetting pluses and minuses ( i.e.: visibility and site dimensions vs. site delivery timing).

6. The C6 facility has been utilized for storage and shipping since the fabrication operation was closed. This was always considered an interim use pending higher value uses or opportunities.

7. Demolition of existing buildings, three major (37,61,& 67) and two minor (34 & 57) totaling 540,000 square feet will be required. There is currently 277,000 square feet of unassigned space at the facility so it is likely that the existing utilization could be absorbed into the remaining 1.9 million square feet.

8. This is a one time opportunity to quickly absorb 35 to 40 acres of 170 acre MDC facility. Retail market is only deep enough for one center. Use it or lose it to Lockheed-Martin. Industrial/warehouse and R&D are ultimately contemplated for the balance of the 170 acres. While the anticipated land values of these uses are slightly lower than retail, the infrastructure costs and absorption periods would be greater.

9. MDC's larger master plan site, continued employment presence, along with support from Toyota and Allied Signal should result in Los Angeles City support with favorable entitlements, mitigation incentives, sales and property tax participation, environmental remediation and expedited processing.

10. Negotiated sale price of 36 acre site at $10.10 psf would yield $17M, less $3M costs, less $5M NBV for **$9M Profit** before environmental remediation costs. City incentives expected to be additional $2 psf ($3M).

11. Vestar Development Co. controls Wal-Mart for south bay area. Six month due diligence period. MDC will likely spend 500k to $1M for master plan, EIR, environmental testing, etc. during due dilligence period. All of this entitlement work would benefit the 170 acre site and will ultimately need to be done anyway, as will any environmental remediation. MDC would be obliged to deliver a clean, rough graded site by July, 1997.

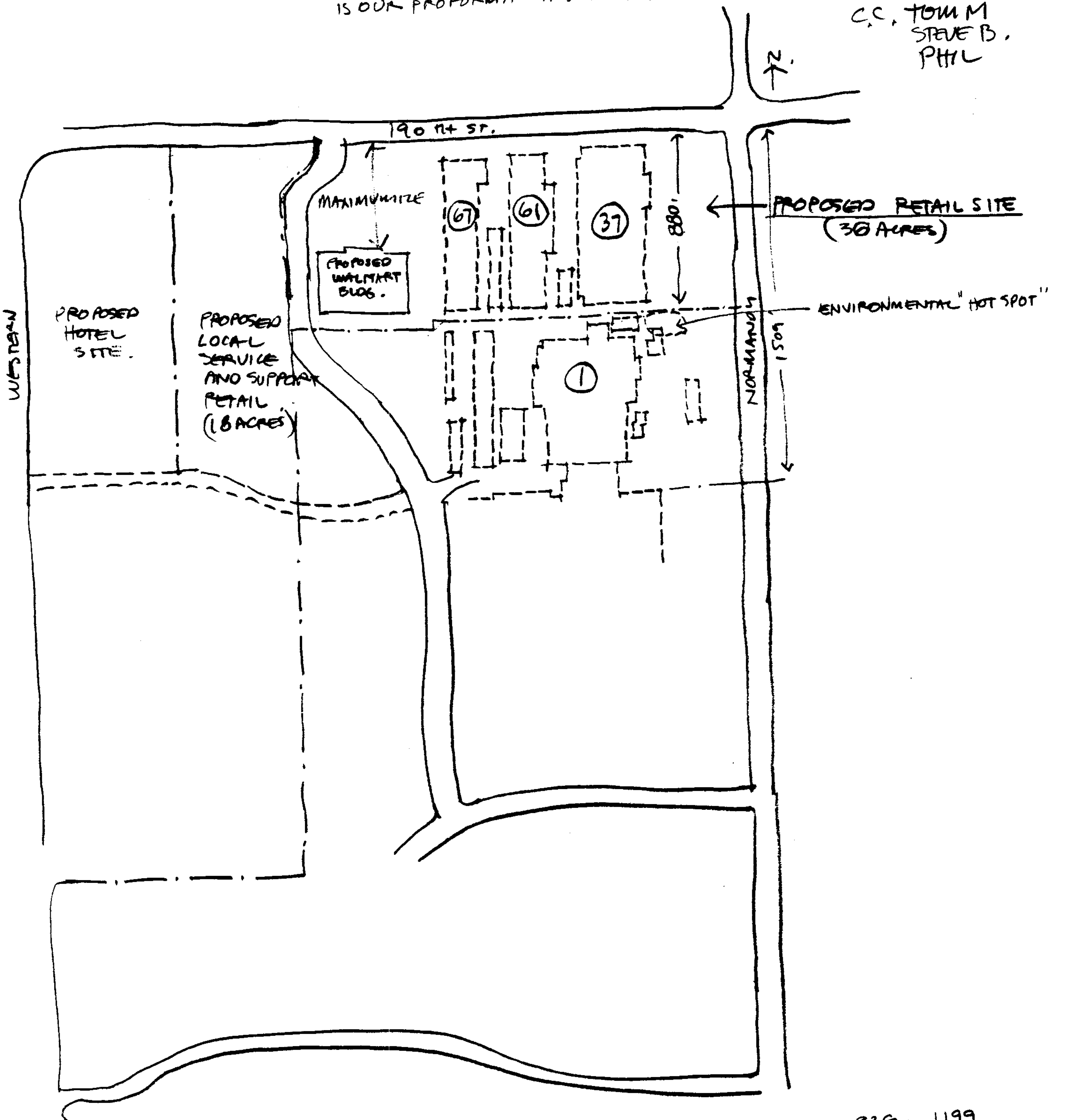
12. Request that MDC authorize MDRC to master plan and entitle the 170 acre site, and dispose of a retail parcel. Also request that MDC direct DAC to vacate the necessary area to complete the retail sale.

H\barker\Torrance.doc Both Tom O and I will be in office by 7am CA time Monday. also call at home Sunday with questions.

FAX TO: RON ALTOON – CARL MEYER
ALLAN MCKENZIE
MIKE ROSSELL

1. CONFORM TO EXIST. MASTER PLAN AND BUILDING CONFIGURATION.
2. MAXIMIZE DEPTH OF WALMART AND LAND SALE TO DEVELOPER – 40 ACRES IS OUR PROFORMA AND TARGET.

C.C. TOM M
STEVE B.
PHIL




FAX COPIES TO: A+P. (219) 939. 1199
ALLAN (310) 781. 9253
MIKE (310) 821. 7626

VESTAR DEVELOPMENT CO.

| | | | |
|---|---|---|---|
| DATE: | 11/30/95 | PRELIMINARY X | PREPARED BY: EJR |
| TIME: | 4:49 PM | ORIG BUDGET | REVIEWED BY: PGT |
| FILE NAME: | MCDONALD DOUGLAS | UPDATE | PROJECT MGR: RJK |

PROJECT NAME: MCDONALD DOUGLAS
LOCATION: 190TH STREET AND NORMANDIE AVENUE

**PROFORMA INCOME STATEMENT**
*************************

INCOME:

| | SALE | | | |
|---|---|---|---|---|
| WAL-MART | | | | |
| SPORTS AUTHORITY | 50,000 SQ. FT. @ | $11.00 / SQ. FT. = | $550,000 | |
| OFFICE MAX | 30,000 SQ. FT. @ | $16.00 / SQ. FT. = | $480,000 | |
| HOME EXPRESS | 40,000 SQ. FT. @ | $13.00 / SQ. FT. = | $520,000 | |
| EDWARD'S | 50,000 SQ. FT. @ | $16.00 / SQ. FT. = | $800,000 | |
| BARNES & NOBLE | 25,000 SQ. FT. @ | $15.00 / SQ. FT. = | $375,000 | |
| SHOPS | 24,000 SQ. FT. @ | $21.00 / SQ. FT. = | $504,000 | |
| | 219,000 | GROSS OPERATING INCOME | | $3,229,000 |

EXPENSES:

| | | |
|---|---|---|
| VACANCY (@ 10% OF SHOP & PAD BTS SPACE) | $50,400 | |
| MAINTENANCE RESERVE (@ .15 per square foot) | $32,850 | |
| MANAGEMENT FEE (@ 4.5% of gross operating income) | $145,305 | |
| MANAGEMENT FEE REIMBURSEMENT (30% recovery) | ($43,592) | |
| ADVERTISING & PROMOTION | $20,000 | |
| TOTAL EXPENSES | | $204,964 |
| NET OPERATING INCOME | | $3,024,037 |

**PERMANENT LOAN INFORMATION**

| MINIMUM COVERAGE | CALCULATED COVERAGE | INTEREST RATE | TERM | AMORTIZATION PERIOD | LOAN TO VALUE | LOAN AMOUNT |
|---|---|---|---|---|---|---|
| 1.20 | 1.26 | 9.00% | 10 | 25 | 75% | $23,870,000 |

| | | | |
|---|---|---|---|
| NET PROJECT COST (ADJ.) | $25,200,998 | NET OPERATING INCOME | $3,024,037 |
| LESS PERMANENT LOAN | $23,870,000 | ANNUAL DEBT SERVICE | $2,403,794 |
| EQUITY REQUIRED(GENERATED) | $1,330,998 | CASH FLOW | $620,242 |
| | | N.O.I. AS % OF N.P.C. | 12.00% |

| CONSTRUCTION LOAN INFORMATION | AMOUNT | CONSTANT COVERAGE |
|---|---|---|
| LOAN ON N.O.I. | $21,600,000 | 14.00% |
| LOAN ON 84% OF PADS | $3,024,000 | |
| LOAN ON DBL ESCROWED SITE REIM | $1,045,440 | |
| LOAN ON 75% OF SITE REIM. | $266,250 | |
| TOTAL LOAN AMOUNT | $25,935,690 | 11.66% |

| | | |
|---|---|---|
| GROSS PROJECT COST | $36,634,434 | EQUITY PERCENTAGE |
| LESS: CONSTRUCTION LOAN | ($25,935,690) | 29% |
| GROSS EQUITY REQUIRED | $10,698,744 | |
| LESS: UNENCUMBERED PAD SALES | ($5,891,950) | |
| NET RENT EARNED DURING LEASEUP | ($839,746) | |
| PERMANENT LOAN EXCESS | ($2,270,000) | |
| EQUITY REQUIRED | $1,697,048 | |

ROFORMA COST ESTIMATE
************************

| | | | | | | |
|---|---|---|---|---|---|---|
| LAND | 37.000 ACRES - COMM | 1,611,720 SQ. FT. @ | $10.10 / SQ. FT. = | $16,278,372 | | |
| **NET LAND COST** | | | | | | $16,278,372 |
| HARD COSTS: | | | | | | |
| SITE IMPROVEMENTS | | 1,611,720 SQ. FT. @ | $2.00 / SQ. FT. = | | $3,223,440 | |
| MISC. SITEWORK | | | | | $150,000 | |
| BUILDING IMPROVEMENTS: | | | | | | |
| WAL-MART | SALE | | | | | |
| SPORTS AUTHORITY | | 50,000 SQ. FT. @ | $42.00 / SQ. FT. = | $2,100,000 | | |
| OFFICE MAX | | 30,000 SQ. FT. @ | $38.00 / SQ. FT. = | $1,140,000 | | |
| HOME EXPRESS | | 40,000 SQ. FT. @ | $38.00 / SQ. FT. = | $1,520,000 | | |
| EDWARD'S | | 50,000 SQ. FT. @ | $60.00 / SQ. FT. = | $3,000,000 | | |
| BARNES & NOBLE | | 25,000 SQ. FT. @ | $45.00 / SQ. FT. = | $1,125,000 | | |
| SHOPS | | 24,000 SQ. FT. @ | $42.00 / SQ. FT. = | $1,008,000 | | |
| **TOTAL** | | | | | $9,893,000 | |
| MISC. BUILDING | | | | | $110,000 | |
| TENANT IMPROVEMENTS | | | | | $240,000 | |
| **TOTAL HARD COSTS (SITE, BLDG. & TI'S)** | | | | | | $13,616,440 |
| SOFT COSTS | | | | | | |
| PERMITS, FEES & IMPACT FEES | | | | $976,000 | | |
| ARCHITECTURE & ENGINEERING | | | | $950,000 | | |
| CONSTRUCTION LOAN FEE (1.0%) | | | | $259,357 | | |
| LEASING COMMISSIONS (SEE COMMISSION RATE STRUCTURE) | | | | $637,500 | | |
| SALES COMMISSIONS (@ 6% OF PAD SALES) | | | | $529,632 | | |
| LEGAL & ACCOUNTING | | | | $125,000 | | |
| LENDER LEGAL FEES | | | | $80,000 | | |
| LENDER CONSULTING FEE | | | | $50,000 | | |
| TAXES & INSURANCE | | | | $150,000 | | |
| MARKETING & ADMINISTRATION | | | | $40,000 | | |
| **TOTAL SOFT COSTS** | | | | | | $3,797,489 |
| CONTINGENCIES & FEES | | | | | | |
| CONTINGENCY @ 3% OF SOFT COSTS | | | | $113,925 | | |
| CONTINGENCY @ 5% OF HARD COSTS | | | | $680,822 | | |
| GENERAL & ADMIN. FEE | | | | $870,696 | | |
| PERMANENT LOAN FEE (EST. @ 1.0 PNTS.) | | | | $238,700 | | |
| **TOTAL CONTINGENCIES & FEES** | | | | | | $1,904,143 |
| CONST. PERIOD INTEREST @ | 9.75% | | | | | $1,037,990 |
| GROSS PROJECT COST | | | | | | $36,634,434 |
| PAD SALE RECEIPTS | | | | | | ($8,827,200) |
| SOFTCOST REIMBURSEMENT | | | | | | ($366,050) |
| SITEWORK REIMBURESMENTS | | | | | | ($1,400,440) |
| NET PROJECT COST | | | | | | $26,040,744 |
| RENT EARNED THRU LEASE-UP | | | | | | ($3,195,060) |
| INTEREST THRU LEASE-UP | | | | | | $2,355,314 |
| NET PROJECT COST ADJUSTED FOR LEASE-UP CARRY | | | | | | $25,200,998 |

NOTE:This proforma is based on various assumptions and no guarantee or assurance of actual results is represented by the VESTAR DEVELOPMENT Co..



BOE-C6-0112982

TAR DEVELOPMENT CO.

DATE:
11/30/95

ECT NAME: MCDONALD DOUGLAS
ATION: 190TH STREET AND NORMANDIE AVENUE
SALE SCHEDULE
****************

| DBL CRW | PAD | SALE DATE | SALE PRICE | SITEWORK REIM | TOTAL |
|---|---|---|---|---|---|
| Y | WAL-MART | Aug-97 | $5,227,200 | $1,045,440 | $6,272,640 |
| Y | | | | | $0 |
| | PAD 1 | Nov-97 | $750,000 | $90,000 | $840,000 |
| | PAD 2 | Dec-97 | $650,000 | $70,000 | $720,000 |
| | PAD 3 | May-98 | $750,000 | $60,000 | $810,000 |
| | PAD 4 | Sep-98 | $550,000 | $50,000 | $600,000 |
| | PAD 5 | Mar-99 | $500,000 | $50,000 | $550,000 |
| | PAD 6 | May-99 | $400,000 | $35,000 | $435,000 |
| | | | $8,827,200 | $1,400,440 | $10,227,640 |

NOTE:This proforma is based on various assumptions and no guarantee or assurance of actual results is represented by the VESTAR DEVELOPMENT Co..
* Denotes pads sold simultaneously with the purchase of the land or prior to const. loan closing.

| | | | | |
|---|---|---|---|---|
| LAND | | 170 | 36 | |
| RETAIL VALUE | | | $ 10.10 | |
| PRORATA | | | 21.18% | |
| BLDGS TO DEMO | | | 540,000 | |
| | | | | |
| | | TOTAL | ALLOCATED | |
| **LAND SALE** | | | | **15,838,416** |
| | | | | |
| COMMISSION | | | 300,000 | |
| LEGAL, MISC. | | | 100,000 | |
| ENTITLEMENT | 33% | 1,500,000 | 500,000 | |
| MOVING/DEMO | $ 5.56 | | 3,000,000 | |
| OFFSITES | | | 700,000 | |
| CONTINGENCY | | | 400,000 | |
| | | | | |
| **COSTS TO DELIVER SITE (EST)** | | | **5,000,000** | |
| | | | | |
| **BASIS** | | $ 19,000,000 | **$ 4,023,529** | |
| | | | | |
| TOTAL COST | | | | 9,023,529 |
| | | | | |
| **AVAILABLE FOR ENVIRONMENTAL OR PROFIT** | | | | **6,814,887** |

# MEMORANDUM

TO: TOM MOTHERWAY

FROM: TOM OVERTURF TAO/kk

DATE: NOVEMBER 10, 1995

SUBJECT: TORRANCE

RE: CONFERENCE CALL

---

Participants: Allan Mackenzie (Gascon Mar)
Bill Bauman (Retail Broker with Seeley)
Rick Kuhle (Vestar)
Steve Barker and Tom Overturf (MDRC)

1. Confidentiality Agreement required if Vestar is selected by Lockheed Martin (short list November 15, Final Selection December 1) he will proceed only with them. Financial partner is Ameritech (Pension Trust) with 12% Return-on-Cost requirement. ($11B Assets.)

2. Vestar has exclusive deal with WalMart and WalMart is only viable big box anchor so they are critical to our (also Lockheed Martin's) feasibility. WalMart likes location (either one), but our site is more efficient so they could pay slightly more.

3. WalMart maximum land value is $10/S.F., but overall deal should yield value of $11.50/S.F. - $12.00/S.F. (as assumed in our proforma by Gascon Mar) with MDRC taking risk of major off-site improvements and mitigations (with objective of consolidating neighborhood plan and obtaining City participation to $3/S.F. target for traffic, street improvements, utilities, etc.).

4. Lockheed Martin is 6 months ahead of us so only way to retain viability of retail on MDRC site is to commit to mid-1997 schedule (as assumed in Gascon Mar report). Vestar would in turn submit offer as follows:

   A. 350,000 - 400,000 S.F. GLA Big Box Phase I with WalMart as anchor at (hopefully) $12/S.F. on about 40 acres. (Entertainment is possible, but must be carefully studied).

   B. Pension Trust will not take environmental risk - must have Phase II Environmental, RAP, and full indemnity similar to Lockheed Martin.

C. Second Phase would add 150,000 - 250,000 S.F. GLA possibly on Lockheed Martin's land to the west. Hopefully, this would create enough incentive to get Lockheed Martin's participation (this will only happen if MDRC signs Vestar/WalMart to lease before they do). Lockheed Martin will also resist our proposed plan to City without some agreement.

D. Ultimately, 450,000 S.F. - 600,000 S.F. mass is needed for regional draw. 20,000 S.F. - 40,000 S.F. boxes will account for 300,000 S.F. - 350,000 S.F. total.

E. Vestar would agree to allowing MDRC to participate in upside over 12% hurdle.

   1. City participation in offsite improvements.

   2. Tenant rentals above base proforma versus land price.

5. MDRC must commit to mid 1997 delivery date (Lockheed Martin's date is January 1997) to get Vestar, WalMart proposal:

   A. Need to meet with Dan Summers and update environmental Phase I and Phase II on key parcels.

   B. Need to proceed with DAC storage plan.

   C. Need management concurrence prior to Thanksgiving.

TAO:kk KKTO1643

cc: Dan Summers, MDC
Mario Stavale, MDFC

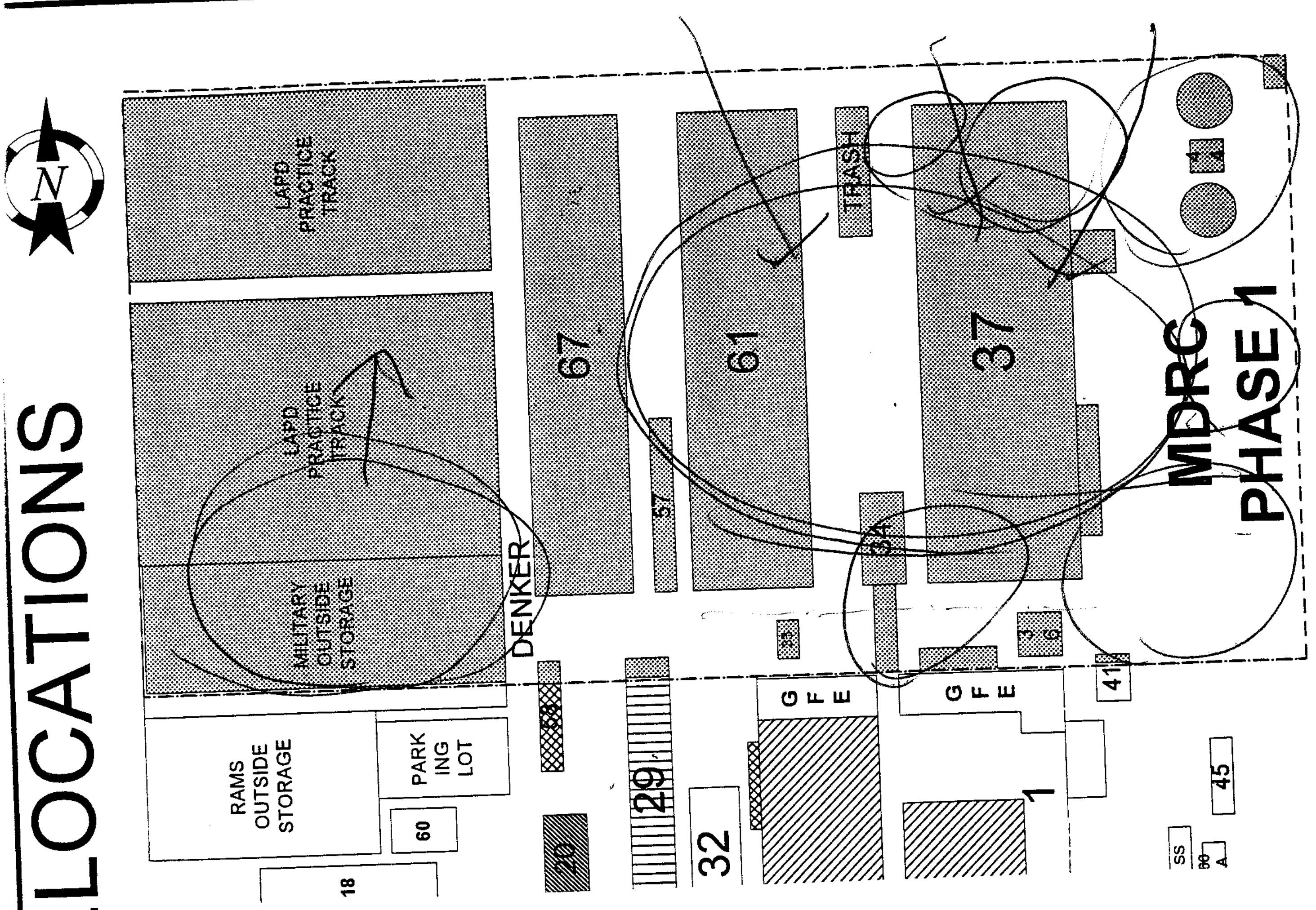
# Time Schedule for Mc Donnell Douglas/Vestar Torrance

1995 D J F M 1996 A M J J A S O N D J F M 1997 A M J J

SITE PREPARATION

| ID | activity | Start Date | End Date | DUR. |
|---|---|---|---|---|
| 83 | MDRC Select Asbestos consult. | 1/2 | 1/20 | .75M |
| 84 | Consultant Update Asbestos Rep. | 1/23 | 2/28 | 1M |
| 85 | MDRC Determine Demo. Scope of Work | 1/23 | 3/15 | 1.75 |
| 86 | MDRC Interview & Select Contractor | 2/15 | 4/15 | 2M |
| 87 | MDRC/MDAC Prep. for Reloc. DAC | 2/1 | 4/1 | 2M |
| 88 | MDRC/MDAC Complete Reloc. DAC | 5/1 | 9/1 | 4M |
| 89 | MDRC/MDAC Reloc. Communications, etc | 8/1 | 10/1 | 2M |
| 90 | MDRC/MDAC Terminate & Cap Utilities | 1/1 | 12/1 | 2M |
| 91 | Initiate and Complete Building Demo. | | | |
| 92 | Complete Final Soil Testing | | | |
| 93 | Complete Soil Remediation, if Req'd. | | | |
| 94 | Cap All Existing Utilities | | | |
| 95 | Obtain Utility Will Serve, Letters | | | |
| 96 | Obtain Closure Ltr. Gov't. Ag. | | | |

TENANT RELOCATIONS




## DAC TORRANCE
## LOCATION C6 - BUILDING AREA

| Bldg. No. | Primary Use | Gross Area (Sq. Ft.) |
|---|---|---|
| 1 | Tool Storage and Liaison | 315,710 |
| 2 | DAD & SC Storage/Shipping/PRC Ops | 1,036,393 |
| 3 | Office Steelcase Partition Storage | 105,762 |
| 4 | Substation | 3,439 |
| 11 | Storage | 18,705 |
| 12 | Chemical Processing Equip Storage | 14,487 |
| 13 | Storage | 861 |
| 14 | Product Support Spares | 5,965 |
| 15 | Warranty | 4,238 |
| 18 | Training Classrooms and Storage | 12,765 |
| 19 | Plant Protection | 8,794 |
| 20 | Vehicle Maintenance | 13,033 |
| 23 | Pump House | 66 |
| 27 | Pump House | 81 |
| 29 | Facilities | 55,920 |
| 32 | MDA-W Storage | 24,472 |
| 33 | Chemical Storage | 799 |
| * 34 | Facilities Storage | 23,052 |
| 36 | Paint Storage | 5,968 |
| * 37 | N/C Machines Storage | 103,983 |
| * 37A | N/C Machines Storage | 79,533 |
| * 37B | Office, Furniture/Equip Storage | 52,764 |
| 40 | Chemical Storage | 4,411 |
| 41 | Boiler House | 5,112 |
| 44 | Pump House | 745 |
| 45 | Hazardous Waste | 10,660 |
| 54 | Tooling Storage | 2,017 |
| 55 | Tooling Storage | 1,142 |
| 56 | Tooling Storage | 942 |
| * 57 | Tooling Storage | 12,872 |
| 58 | Facilities/Storage | 7,894 |
| 59 | Salvage Yard Office | 231 |
| 59A | Salvage Yard Shelter | 768 |
| 60 | Storage | 6,841 |
| 60A | Storage | 123 |
| 60B | Storage | 123 |
| * 61 | MDA-W GFP Storage | 82,030 |
| * 61A | MDA-W Master Tools Storage | 72,326 |
| 65 | Storage | 278 |
| 66 | Raw Materials Storage | 209,743 |
| 66A | Offices | 437 |
| * 67 | RAMS/BFE Storage | 113,453 |
| | TOTAL | 2,418,938 |

RAMS - BL 67

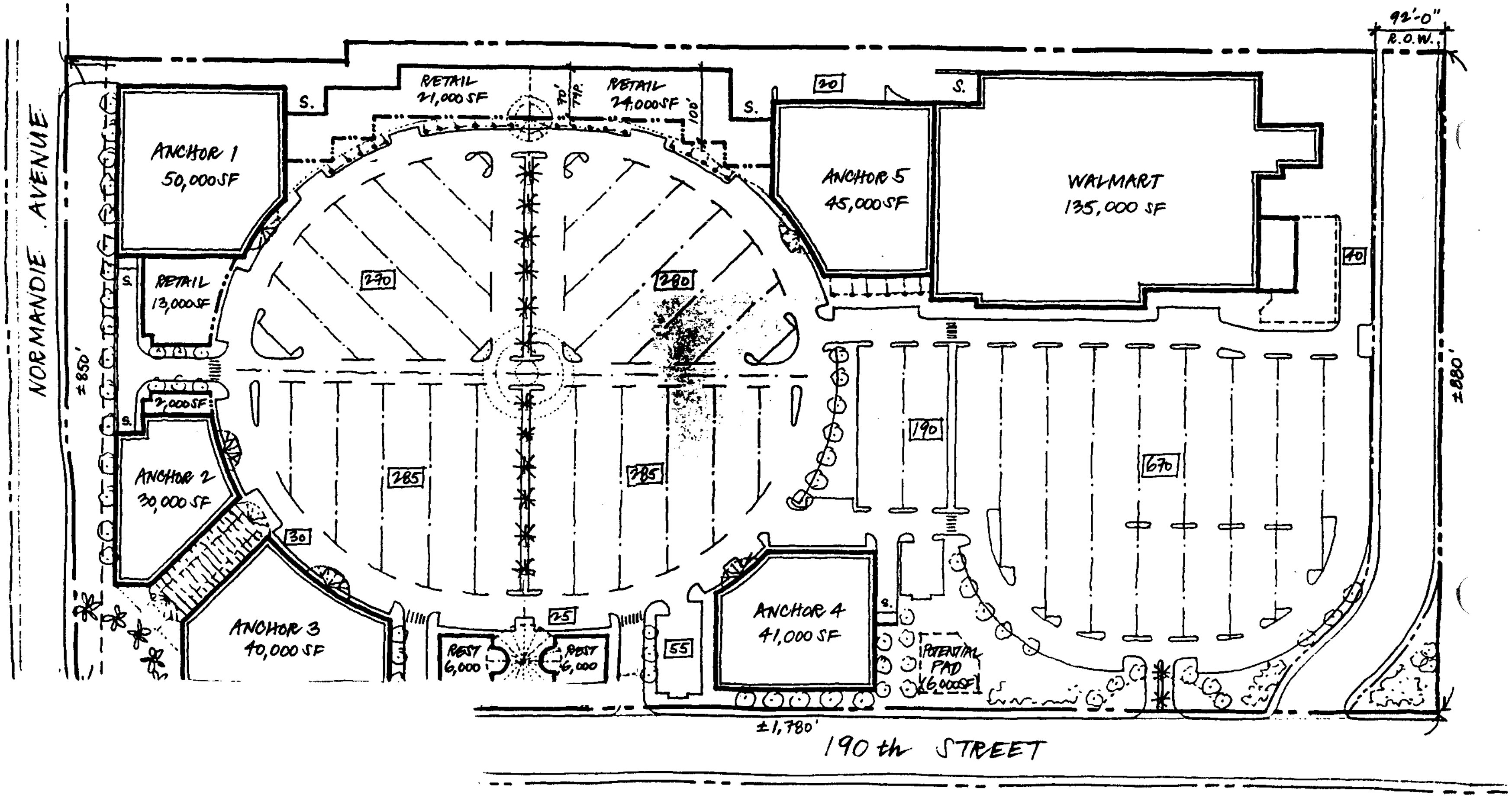
324 STOCKRM BL 57

TOTAL AREA DISPLACED *

BOE-C6-0112988

## PROJECT SUMMARY (PHASE I)

| | |
|---|---|
| WALMART | 135,000 SF |
| ANCHORS | 206,000 SF |
| RETAIL / LARGE TENANTS | 60,000 SF |
| RESTAURANTS | 12,000 SF |
| TOTAL GLA | 413,000 SF |
| PARKING PROVIDED @ 5.21/1,000 SF | 2,150 SPACES |



MERLE MARIO
COPY TO STEVE B.
No file.

# FACSIMILE TRANSMITTAL SHEET

DATE: 12/1/95

TO: Tom Overturf 310 627 3109
Steve Barker 310 627 3109
Michael Russel 310 821-7666
Jay Palchikoff, Esq 714 798-0511

COMPANY:

FAX #:

FROM: Allan J. Kasen [direct dial no. (602) 588-2644]

RE: McDonnell Douglas L.A. Site

NUMBER OF PAGES TO FOLLOW:

COMMENTS: Here's a revised draft of the letter to reflect our discussion on Friday afternoon - among Rich, Tom, Steve and me

Original to:

Not follow (X)

Follow via ( ) Federal Express
( ) Regular Mail
( ) Messenger

If you do not receive all of this transmission, please contact our receptionist at (602) 866-0900.

VESTAR DEVELOPMENT CO.
2425 E. Camelback Road, Suite 750
Phoenix, Arizona 85016
Fax (602) 955-2298

Vestar

Richard J. Kuhle
Senior Vice President

December 1, 1995

**Via Facsimile (310) 627-3109**

Mr. Thomas A. Overturf
McDonnell Douglas Realty Company
4060 Lakewood Boulevard, 6th Floor
Long Beach, CA 90808-1700

Mr. Stephen J. Barker
McDonnell Douglas Realty Company
4060 Lakewood Boulevard, 6th Floor
Long Beach, CA 90808-1700

Re: **190th Street and Western Avenue Site**
**Los Angeles, California**

Dear Tom and Steve:

First, I would like to thank you and Mike Russell for coming to our offices yesterday evening. We very much enjoyed our meeting and getting to know you. While we have not known one another for very long, our initial impression was certainly the favorable one that we could work comfortably, compatibly and constructively with you respecting the retail portion of your site.

Although we wish we had more time for preliminaries, we are both aware that time is rather of the essence in this situation. As you know, we are on the "short list" of developers being considered for acquisition and development of the adjacent Lockheed Martin site. As we explained at the outset of our meeting yesterday, we could only forego pursuing that opportunity if we were timely able to mutually commit to one another to pursue the purchase of your property. As we understand the timing of matters, that will require both of us to sign this letter—or a satisfactory modification of it—by the end of business on Friday, December 8. We recognize that that is a rather short time frame for both of us, but it appears that the expeditious consideration of this matter is what is required of both sides to make the transaction a feasible one.

Accordingly, let me set forth the terms upon which we would propose to acquire your property pursuant to a purchase and sale agreement ("Purchase and Sale Agreement") to be drafted as described below. At the end of this letter, I will describe the obligation we propose we each assume with respect to the transaction described.

1. <u>Purchaser</u>. Vestar Development Co. and/or nominee.

2. <u>Seller</u>. McDonnell Douglas Corporation

3. <u>Subject property</u>. The subject property ("Property") consists of approximately 36 acres located at 190th Street and Western Avenue, Los Angeles, California, which is part of a larger site commonly known as the McDonnell Douglas C-6 Torrance site ("MD Site").

Vestar Development Co.
2425 East Camelback Rd, Ste. 750 Phoenix, Arizona 85016
(602) 866-0900 FAX (602) 955-2298

4. Purchase price.

a. Base purchase price. The purchase price for the Property shall be the product of the net square footage of the parcel multiplied by Ten and 10/100 Dollars ($10.10). Net square footage shall be determined by an ALTA/ACSM Class A land title survey prepared by a licensed engineer and/or land surveyor per paragraph 18. Such net square footage shall be calculated by excluding any portion of the property located within the beds of any existing or contemplated roads, streets, alleyways, easements or rights-of-way not reasonably usable for retail or related uses, such as parking.

b. Incremental purchase price. In addition to the base purchase price, there shall be an Incremental Purchase Price as follows:

(i) If Seller receives an amount equal to $1.90 per square foot from the Incremental Purchase Price sources described in subdivision c below prior to 36 months from the issuance of the initial certificate of occupancy for the Shopping Center, the Incremental Purchase Price shall be $1.90 per square foot.

(ii) If Seller does not receive an amount equal to $1.90 per square foot within such 36 month period from the Incremental Purchase Price sources described in subdivision c below, the Incremental Purchase Price shall be $2.90 per square foot.

c. Sources for payment of incremental purchase price. The Incremental Purchase Price shall only be payable from the following sources.

(i) Purchase price recalculation sharing. The base purchase price of $10.10 per square foot is calculated based on pro forma projections of the land price necessary for Purchaser to obtain a return of 12% by dividing the net operating income ("NOI") of the project by total net project costs ("NPC"). Two weeks prior to the funding of the construction loan for construction of the Shopping Center, Purchaser shall prepare a new percentage calculation by dividing the projected NOI by NPC based on updated income and cost projections based on the best information then available. In the event such formula shows a higher than 12% return, there shall be a recalculation of purchase price by employing an increased purchase price so as to create a 12% return. The Seller shall be entitled to an increase in the purchase price equal to 50% of the difference between the recalculated purchase price and the base purchase price.

(ii) Proceeds from City. So long as the Incremental Purchase Price has not been fully paid, the Seller will receive 75% of the City payments described in paragraph 17. Thereafter, Seller shall receive the 50% share set forth in paragraph 17.

(iii) Percentage rent.

(a) Seller shall receive an amount equal to 25% of all percentage rent obtained by Purchaser from Tenant(s) during the first five years of the project after the issuance of the initial certificate of occupancy;

Mr. Thomas A. Overturf
Mr. Stephen J. Barker
McDonnell Douglas Realty Company
December 1, 1995
Page 3

(b) Seller shall receive 50% of the percentage rent received by Purchaser from Tenant(s) from years six through ten after the issuance of the initial certificate of occupancy.

(c) Seller shall receive no percentage rent (i) once the Incremental Purchase Price has been paid, or (ii) from and after the expiration of a ten-year period from the date of the initial certificate of occupancy irrespective of whether or not the Incremental Purchase Price has been paid.

5. Earnest money. Seventy-Five Thousand and No/100 Dollars ($75,000.00) will be deposited into the escrow as earnest money within five (5) days after the execution of the Purchase and Sale Agreement. The earnest money shall be applicable to the Purchase Price. There shall be an additional deposit of Fifty Thousand and No/100 Dollars ($50,000.00) upon approval of the initial ninety (90)-day feasibility review described in paragraph 6, which amount also shall be applicable to the purchase price.

6. Due diligence/feasibility period. Purchaser is acquiring the Property for development of a shopping center of approximately 375,000 square feet of retail space (the "Shopping Center"). Purchaser shall have a ninety (90)-day period within which to conduct appropriate feasibility studies with respect to the subject property including, without limitation, soil studies, physical site inspection, review of zoning, utilities, drainage, environmental and marketability studies, as well as title and survey review. Purchaser shall have an additional ninety (90)-day period to conduct additional due diligence with respect to the subject property, including acquisition of major commercial tenants, entitlements and economic feasibility studies. The periods will commence upon receipt by Purchaser of (a) the commitment for title insurance, together with legible copies of the documents referenced therein, and (b) the documents referred to in paragraph 9 below.

7. Closing. The closing of Purchaser's acquisition of the Property shall occur upon the latter of (i) thirty (30) business days following the expiration of the due diligence/feasibility period for the Property, as the same may have been extended, or (ii) thirty (30) days following the completion of the environmental and remediation conditions set forth in paragraphs 11 and 12 below.

8. Right of entry. During the due diligence/feasibility period, Purchaser and its authorized representatives shall have the right to enter upon the Property in order to conduct due diligence studies and investigations.

9. Documents. Within twenty (20) days following the execution of the Purchase and Sale Agreement, Seller shall furnish Purchaser with a commitment for title insurance, together with legible copies of the documents referred therein, as well as copies of all documents, reports and studies in its possession pertaining to the parcel, including, but not limited to, surveys, environmental assessments, zoning studies, soils reports, site plans and the like. If required by Seller, Purchaser shall execute an additional reasonable and customary confidentiality/nondisclosure agreement with respect to such materials.

10. Approval. If Purchaser determines, in its sole and absolute discretion, that the subject Property is not completely suitable for its purposes, Purchaser may elect, at any time prior to the expiration of the due diligence/feasibility period (as the same may be extended), to terminate the contract to purchase the Property, in which event all earnest money (including the additional deposit), shall be returned to Purchaser.

11. Environmental remediation. The parties acknowledge that there will be environmental remediation activities necessary with respect to the Property. Such remediation will be entirely the responsibility of the Seller. Seller shall use its best efforts to accomplish such remediation. Such best efforts shall include the timely completion of the activities set forth on Exhibit A hereto. It shall be a condition of close that the Property be fully remediated (a) to the satisfaction of all federal, state and local agencies having jurisdiction over the Property, (b) so as to comply with all federal, state and local statutes, ordinances, codes or regulations presently existing or hereinafter enacted prior to close, and (c) to the reasonable satisfaction of Seller. From and after the execution of the proposed Purchase and Sale Agreement, Purchaser and Purchaser's environmental consultants shall be given complete and unrestricted access to all current and future findings, results, plans, strategies and reports employed or obtained by Seller in connection with the remediation of the Property. In connection with the remediation obligations of Seller set forth in this paragraph (and the entitlement responsibilities of Seller set forth in paragraph 12 below), Seller shall use its best efforts to timely submit and obtain approval of all environmental impact reports or other environmental-related reports or approvals required by existing or future federal, state or local statutes, ordinances, codes or regulations in connection with the development of the Shopping Center.

12. Entitlements. It is recognized that the Property is part of the larger MD Site, which is being master planned by the Seller. It shall be Seller's responsibility to use its best efforts to obtain all governmental approvals and entitlements for use of the Property as the Shopping Center by Purchaser, except that it shall be Purchaser's responsibility to obtain actual building permits authorizing construction of the Shopping Center once Seller obtains all zoning and other approvals (including site plan approval) authorizing the use of the Property as the Shopping Center in accordance with an approved site plan. Such best efforts by Seller shall include the activities set forth on Exhibit A Purchaser shall reasonably cooperate with Seller in connection with entitlements and approvals for the Property, including furnishing a proposed site plan for development of the Shopping Center. Seller and Purchaser shall reasonably cooperate in finalizing the site plan for the Shopping Center with the goal of coordinating Purchaser's Shopping Center development needs, with the overall development of the MD Site. Seller shall have the right to approve the site plan proposed by Purchaser, but Seller shall not unreasonably withhold or delay its consent to such site plan.

13. Off-site improvements. Seller shall be responsible for providing and paying for all off-site improvements necessary for the operation of the contemplated Shopping Center except that Purchaser shall reimburse Seller up to $106,777.38 for such off-site costs benefiting the Property, which amount shall be deducted from the purchase price. Such off-sites shall be completed within 90 days after the close of escrow.

14. Condition of site - demolition. Seller shall deliver the Property in a rough-graded condition. The demolition of all existing structures, including foundations (and the expense thereof), shall be the responsibility of Seller. At Purchaser's option, Seller shall grind and store any portion of the demolished materials (including foundations) for use by Purchaser. Such demolition and grading shall be completed by close of escrow.

15. Compensation for failure to achieve remediation ~~or~~ entitlement or demolition by agreed date. It is acknowledged by Seller and Purchaser that Purchaser is intending to purchase the Property to develop the Shopping Center, which will include one or more major anchor tenants ("Tenant(s)"). In connection with such development, it is recognized that Purchaser will need to agree and commit to providing suitable premises to such Tenant(s) in time to permit construction for such Tenant(s) on or before June 1, 1997. It is further acknowledged that if the Property is not available for commencement of construction for such Tenant(s') premises, by reason of the noncompletion of the environmental remediation, entitlement or demolition activities contemplated by paragraphs 11 through 13, Purchaser will suffer potential business reputational and legal losses and detriment. In consideration of such potential losses and detriment, Seller shall pay Vestar Five Hundred Thousand and No/100 Dollars ($500,000.00) in the event that, despite Seller's best efforts, the remediation, entitlement or demolition by Seller is not completed by August 1, 1997.

16. Termination. In the event that Seller is more than 30 days behind schedule for the activities set forth on Exhibit A, Purchaser shall have the right to terminate the Purchase and Sale Agreement, in which event all earnest money (including ~~the~~ the additional earnest money), shall be returned to Purchaser.

17. City payments in connection with development of the Property. Seller and Purchaser shall reasonably cooperate with one another in endeavoring to negotiate a transaction with the City of Los Angeles whereby the City pays consideration for real property or other rights at the MD Site conditioned on the construction of a Shopping Center on the Property. It is agreed that Seller and Purchaser shall split any proceeds of such transaction 50% each, except as set forth in paragraph 4 above.

18. Survey. Within 45 days after the execution of the Purchase and Sale Agreement, Seller shall, at its expense, deliver to Purchaser a current ALTA survey of the Property to be made by an engineer or a surveyor acceptable to Purchaser and the escrow agent to enable the escrow agent to issue an ALTA extended coverage owner's policy (the "Survey") showing the location of all fences, easements, rights-of-way, improvements, encroachments and setting forth the net square footage of the Property as described in paragraph 4 above.

19. Title insurance and deed. The Property shall be conveyed to Purchaser at the applicable closing by grant deed, free and clear of all monetary encumbrances and subject only to such exceptions to title as have been approved or waived by Purchaser. Seller shall deliver to Purchaser an ALTA extended coverage policy of title insurance for the full amount of the Purchase Price. Purchaser, however, shall pay the difference between the cost of a standard coverage policy and the ALTA extended coverage policy of title insurance and such endorsements as Purchaser deems advisable.

20. Escrow agent. The escrow agent (and title insurer) shall be Chicago Title or First American Title Insurance Company of California or such other reputable and financially adequate title company as is mutually reasonably agreeable to Purchaser and Seller.

21. Commissions. Seller shall be responsible for any real estate commissions due and payable with respect to the purchase of the Property.

22. Prorations and adjustments. Real property taxes, assessments, common area maintenance expenses (if applicable), rents and any other customary items shall be adjusted and prorated between Purchaser and Seller as of the closing.

23. Closing costs. Seller shall pay the recording fee for the grant deed, any transfer taxes and one-half (1/2) of the escrow fee. Purchaser shall pay for one-half (1/2) of the escrow fee and any recording fees pertaining to financing obtained by Purchaser. Purchaser and Seller shall each bear the costs and expenses of their respective attorneys, accountants, consultants and engineers.

24. Assignment. Buyer shall not assign the Agreement of Purchase and Sale without the approval of Seller. However, Purchaser shall be permitted to assign the Agreement of Purchase and Sale without Seller's approval to any entity 50%-owned or controlled by the shareholders of Purchaser.

Tom, the foregoing sets forth the business terms for our proposed purchase of the Property. Naturally, we both recognize that the parties will need to negotiate and include various additional provisions in a comprehensive Purchase and Sale Agreement for the Property. Accordingly, the parties agree that the legal effect of this agreement shall be limited to the following agreed obligation:

1. Purchaser and Seller agree to negotiate diligently, exclusively and in good faith during the next 180-day period (the "Negotiation Period") to arrive at a mutually agreeable Purchase and Sale Agreement for the purchase of the Property incorporating the above-described terms of this transaction and such additional provisions as either party may propose consistent with the above-described terms.

* * * * *

Mr. Thomas A. Overturf
Mr. Stephen J. Barker
McDonnell Douglas Realty Company
December 1, 1995
Page 7

The foregoing agreement is effective this ___ day of December, 1995. If the foregoing is acceptable, please sign below to acknowledge your consent.

Very truly yours,

VESTAR DEVELOPMENT CO.

By ______________________
Richard J. Kuhle

Its Senior Vice President

*CONSENTED AND AGREED TO:*

McDONNELL DOUGLAS CORPORATION

By ______________________

Its ______________________

RJK/ss

cc: Michael P. Russell @ The Russell Company, via facsimile (310) 821-7626
Bill Bauman @ The Seeley Company, via facsimile (310) 787-6869